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**A STUDY ON THE RELATIONSHIP BETWEEN HUMAN
RESOURCE MANAGEMENT PRACTICES AND
EMPLOYEE RETENTION**

SANTHANA SINNAPPAN



**MASTER OF HUMAN RESOURCE MANAGEMENT
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**A STUDY ON THE RELATIONSHIP BETWEEN HUMAN
RESOURCE MANAGEMENT PRACTICES AND
EMPLOYEE RETENTION**

By



SANTHANA SINNAPPAN

**Thesis Submitted to
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ABSTRACT

In this study, the objective was to determine the influence of HRM practices and work environment towards employee retention in selected SME companies. The research design used in this study is correlation study. The independent variables were HRM practices such as compensation, benefits and rewards, performance appraisal, training and career development. Working environment was also included as part of the independent variable. The dependent variable is employee retention. Survey method was used to collect data from 100 respondents in various SME companies, and the simple random sampling was applied. Finally, the finding shows all the HRM practices (compensation, benefits and rewards, performance appraisal, training and career development) and working environment were significantly correlated with the dependent variable (employee retention). Regression analysis identified that training and development contributes the most towards retaining the SME employees, followed by working environment practices. The result of this study had provided some beneficial information regarding: how SME can retain their employees particularly, on HRM practices such as training and development. The findings also can be used as a guideline for HRM practitioners in SME encouraging employees to attend training and to provide more career opportunities.

Keywords: HRM practices, Compensation, Benefits and Rewards, Performance Appraisal, Training and Development, Working Environment, Employee Retention and Small Medium Enterprises.

ABSTRAK

Kajian ini dijalankan untuk menilai pengaruh amalan sumber manusia dan persekitaran kerja terhadap pengekalan pekerja di syarikat-syarikat perusahaan kecil dan sederhana (PKS) yang terpilih. Reka bentuk penyelidikan yang digunakan dalam kajian ini adalah kajian korelasi. Pemboleh ubah bebas terdiri daripada amalan sumber manusia seperti pampasan, manfaat dan ganjaran, penilaian prestasi, latihan dan pembangunan kerjaya. Persekitaran kerja juga merupakan salah satu pemboleh ubah bebas manakala pemboleh ubah pengekalan pekerja merupakan pemboleh ubah bersandar. Responden kajian ini dipilih menggunakan pensampelan rawak mudah. Jumlah responden seramai 100 orang merupakan saiz sampel kajian ini yang terdiri daripada pekerja dari pelbagai firma PKS. Keputusan kajian menunjukkan semua fungsi Sumber Manusia (pampasan, faedah dan ganjaran, penilaian prestasi, latihan dan pembangunan kerjaya) dan persekitaran kerja didapati berkait rapat dengan pemboleh ubah bersandar (pengekalan pekerja). Analisis regresi menunjukkan bahawa pemboleh ubah latihan dan pembangunan menjadi faktor menyumbang paling utama pengekalan pekerja PKS dan diikuti oleh persekitaran kerja. Hasil kajian ini telah memberikan beberapa maklumat yang bermanfaat mengenai bagaimana PKS dapat mengekalkan pekerja mereka melalui amalan HRM khususnya latihan dan pembangunan. Penemuan ini juga menjadi panduan kepada pengurusan sumber manusia di PKS untuk menggalakkan lebih ramai pekerja menghadiri pelbagai latihan dan kursus dengan menyediakan lebih banyak peluang pekerjaan.

Kata kunci: Amalan-amalan Sumber Manusia, Pampasan, Faedah dan Ganjaran, Penilaian Prestasi, Latihan dan Pembangunan Kerjaya, Pengekalan Pekerja dan Perusahaan Kecil dan Sederhana.

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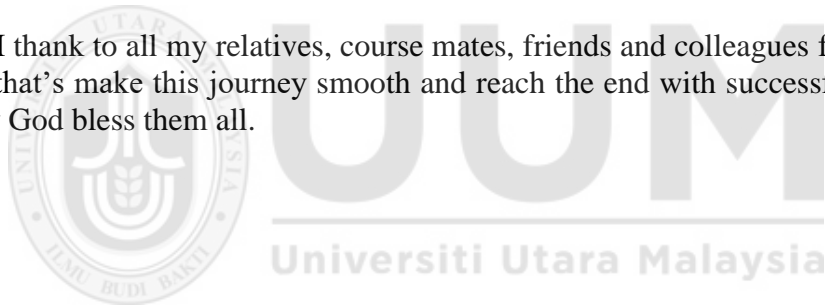


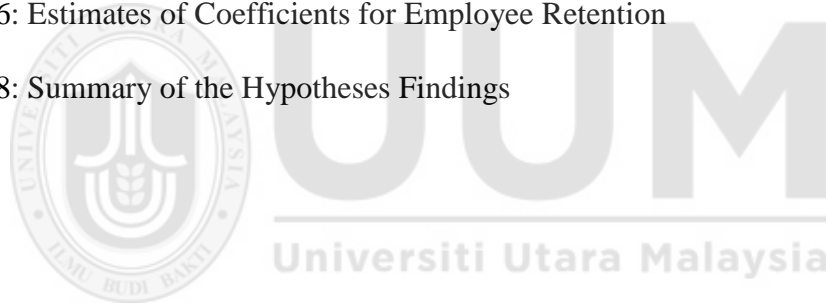
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List of Abbreviation/ Notations/ Glossary of Terms

1. EDA – Exploratory Data Analysis
2. GLC – Government Link Company
3. HRM – Human Resource Management
4. HR – Human Resource
5. MNC – Multinational Company
6. MRL – Multiple Linear Regression
7. MRS – Manufacturing Related Service
8. SME – Small Medium Enterprise
9. SPSS – Statistical Package for the Social Sciences



CHAPTER 1: INTRODUCTION

1.1 Background of the Study

Resource based views have highlighted that employees are the most important assets for the organization to compete with rivals. Talented employees not only improve the productivity but also cultivate a healthy and highly competitive working environment (Peteraf & Barney, 2003). According to Adam Equity theory (1960), if there is an imbalance between the expectations of employees and employers, a gap exists definitely. If the gap gets bigger and larger, and at same time the fringe opportunities arise from rivals and this phenomena leads to a massive employee turnover. Based on Chaminade (2007), many organizations face the obstacles to retain the employees, and even more challenging, to encourage talented employees to stay longer. Kehr (2004), claims that the retention strategy is more essential than hiring new employees. He added that failure to retain employees does not add to the cost only, but loss of talented workers also leads to loss of loyal customers, clients and a healthy working environment.

According to Walker (2001), retention of talented workers is essential in achieving competitive advantages. He also added, employees who received full control, established good relationship and excelled in their performance were likely to stay in their organization. Understanding the importance of retention of loyal workers has led

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**Pusat Pengajian
Pengurusan Perniagaan**
SCHOOL OF BUSINESS MANAGEMENT

Universiti Utara Malaysia

Dear Sir/Madam,

We are seeking your assistance in this survey on “The Relationship between Human Resource Management Practices and Employee Retention”. Hence, we would really appreciate if you could spend 10 to 15 minutes to answer all the questions in the questionnaire.

The confidentiality of information given will be kept preserved and to be used only for academic purpose to fulfill the MHRM requirement of the university.

Thanking you in advance for the support rendered in accomplishing this project.

Yours sincerely
Santhana Sinnappan
Matrix No: 812934
MHRM Candidate
University Utara Malaysia

Kindly answer all six sections.

SECTION A: DEMOGRAPHIC INFORMATION. Please tick (/) and answer.

1	Name																		
2	Gender	<table border="1"> <tr> <td>Male</td> <td></td> <td></td> <td>Female</td> <td></td> <td></td> </tr> </table>						Male			Female								
Male			Female																
3	Age Group	<table border="1"> <tr> <td>18-25</td> <td></td> <td>26-35</td> <td></td> <td>36-45</td> <td></td> </tr> <tr> <td>46-55</td> <td></td> <td colspan="2">56 and above</td> <td colspan="2"></td> </tr> </table>						18-25		26-35		36-45		46-55		56 and above			
18-25		26-35		36-45															
46-55		56 and above																	
4	Length of Service in the present organization (in Years)	<table border="1"> <tr> <td>Less than 5</td> <td></td> <td>6-10</td> <td></td> <td>11-15</td> <td></td> </tr> <tr> <td>16-20</td> <td></td> <td colspan="2">21 and above</td> <td colspan="2"></td> </tr> </table>						Less than 5		6-10		11-15		16-20		21 and above			
Less than 5		6-10		11-15															
16-20		21 and above																	
5	Organizational Hierarchy	<table border="1"> <tr> <td>Top Level</td> <td></td> <td>Middle Level</td> <td></td> <td>Floor Level</td> <td></td> </tr> </table>						Top Level		Middle Level		Floor Level							
Top Level		Middle Level		Floor Level															
6	Designation																		
7	Department																		
8	Educational Background	<table border="1"> <tr> <td>Up to high school</td> <td></td> <td>Diploma</td> <td></td> <td>Bachelor Degree</td> <td></td> </tr> <tr> <td>Master Degree</td> <td></td> <td colspan="2">If any other please specify</td> <td colspan="2"></td> </tr> </table>						Up to high school		Diploma		Bachelor Degree		Master Degree		If any other please specify			
Up to high school		Diploma		Bachelor Degree															
Master Degree		If any other please specify																	
9	Marital status	<table border="1"> <tr> <td>Single</td> <td></td> <td>Married</td> <td></td> <td>Divorce/widowed</td> <td></td> </tr> </table>						Single		Married		Divorce/widowed							
Single		Married		Divorce/widowed															
10	(i) No of organizations served before. (ii) No of Years of Experience in Total.	<table border="1"> <tr> <td colspan="6"></td> </tr> <tr> <td colspan="6"></td> </tr> </table>																	

For section B to section F, please circle your choice at the appropriate portion.

SECTION B: COMPENSATION, BENEFITS & REWARDS

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	My organization has a compensation/ benefits system that is communicated to employees.	1	2	3	4	5
2	My organization offer compensation/ benefits better then minimal requirement by Employment Act.	1	2	3	4	5
3	My organization offers an attractive compensation/ benefits package compare to other organizations nearby.	1	2	3	4	5
4	My organization has a health and related benefits that is communicated to employees.	1	2	3	4	5
5	Employees are rewarded/ recognized for meeting their goals/ objectives.	1	2	3	4	5
6	Fringe benefits provided by the company are good. (e.g. company car)	1	2	3	4	5
7	Compensation paid for workers during layoffs or during any accidents occurring within the company is satisfactory.	1	2	3	4	5

SECTION C: PERFORMANCE APPRAISAL

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	My organizations have regularly scheduled employee performance appraisal periods for employees.	1	2	3	4	5
2	My performance is more often measured with objective quantifiable results (measure overall performance).	1	2	3	4	5
3	My manager/superior handle performance appraisal without biasness/favoritism.	1	2	3	4	5
4	The duration of performance appraisal reviewed is sufficient.	1	2	3	4	5
5	Performance appraisal helped me to improve my performance.	1	2	3	4	5
6	Performance appraisal helps me to meet my individual goals.	1	2	3	4	5
7	Performance appraisal helps me to stay in current organization.	1	2	3	4	5

SECTION D: TRAINING AND CAREER DEVELOPMENT

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	My organization provides proper induction and training upon commencement.	1	2	3	4	5
2	There are possibilities of promotion due to trainings and development given.	1	2	3	4	5
3	Innovation and creativity are encouraged here.	1	2	3	4	5
4	My organization provides job- development/ career path guidance to help employee identify/ improve abilities, goals, strengths & weaknesses.	1	2	3	4	5
5	I have minimal future within this organization.	1	2	3	4	5
6	I get training to advance my knowledge.	1	2	3	4	5
7	My organization provides opportunities to advance and improve your performance.	1	2	3	4	5

SECTION E: WORKING ENVIRONMENT

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	My organization represents a caring-culture environment for employees.	1	2	3	4	5
2	My organization creates a fun work environment for employees.	1	2	3	4	5
3	My organization provides a comfortable working environment.	1	2	3	4	5
4	Workers and management get along well in this organization.	1	2	3	4	5
5	My organization provides a lot of security measures.	1	2	3	4	5
6	Overall, this organization is a harmonious place to work.	1	2	3	4	5
7	My organization offers a work-life balance environment for employees. (Eg: Sponsored family events, personal activities etc)	1	2	3	4	5

SECTION F: EMPLOYEE RETENTION

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I intend to remain working in this company.	1	2	3	4	5
2	I will return to work here in the future if I have to quit my job due to unforeseen circumstances.	1	2	3	4	5
3	It is possible that I will look for a new job soon.	1	2	3	4	5
4	If I were given choice, I would prefer to continue working in this company as long as possible.	1	2	3	4	5
5	I often think of leaving the organization.	1	2	3	4	5
6	I am actively searching for an alternative to the new organization	1	2	3	4	5
7	If I had another job offer that paid the same as the one I have, I'd leave here in a minutes.	1	2	3	4	5

THANK YOU

Date:

To Whom It May Concern,

Dear Sir,

**APPLICATION TO CONDUCT THESIS STUDY ON THE RELATIONSHIP
BETWEEN HUMAN RESOURCE MANAGEMENT PRACTICES AND
EMPLOYEE RETENTION.**

I am a postgraduate student at University Utara Malaysia. To complete my studies, I would like to obtain permission to conduct thesis study on the relationship between human resource management practices and employee retention at your organization.

2. This thesis study will be conduct from 200 employees that selected randomly to answer all questionnaires that will be given upon granted permission. Your consideration for granting me permission to conduct this session is highly appreciated.
3. All type of cooperation and consideration to support this study much appreciated.

Thank you.

Yours sincerely,

Santhanaah

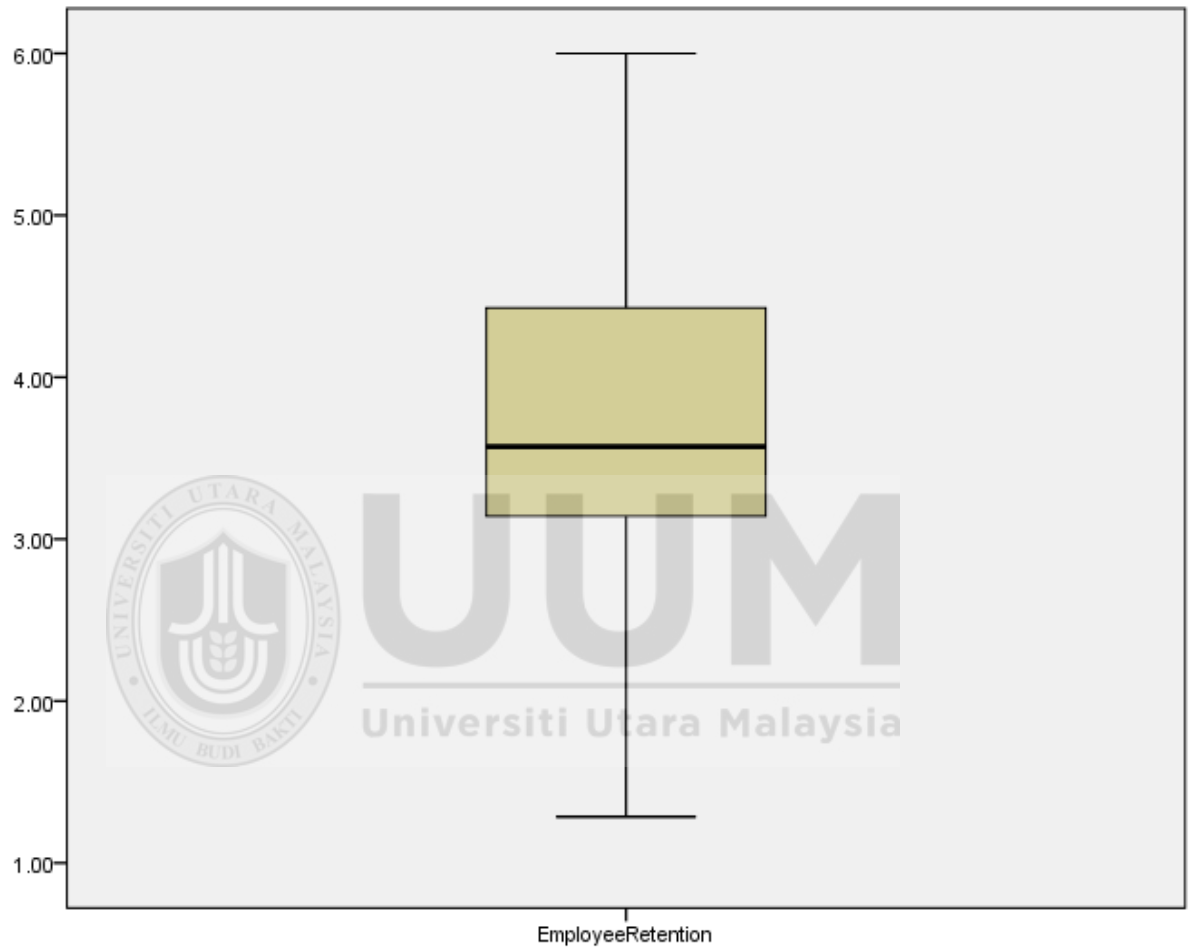
(Santhana A/P Sinnappan)

Matrix Number: 812934

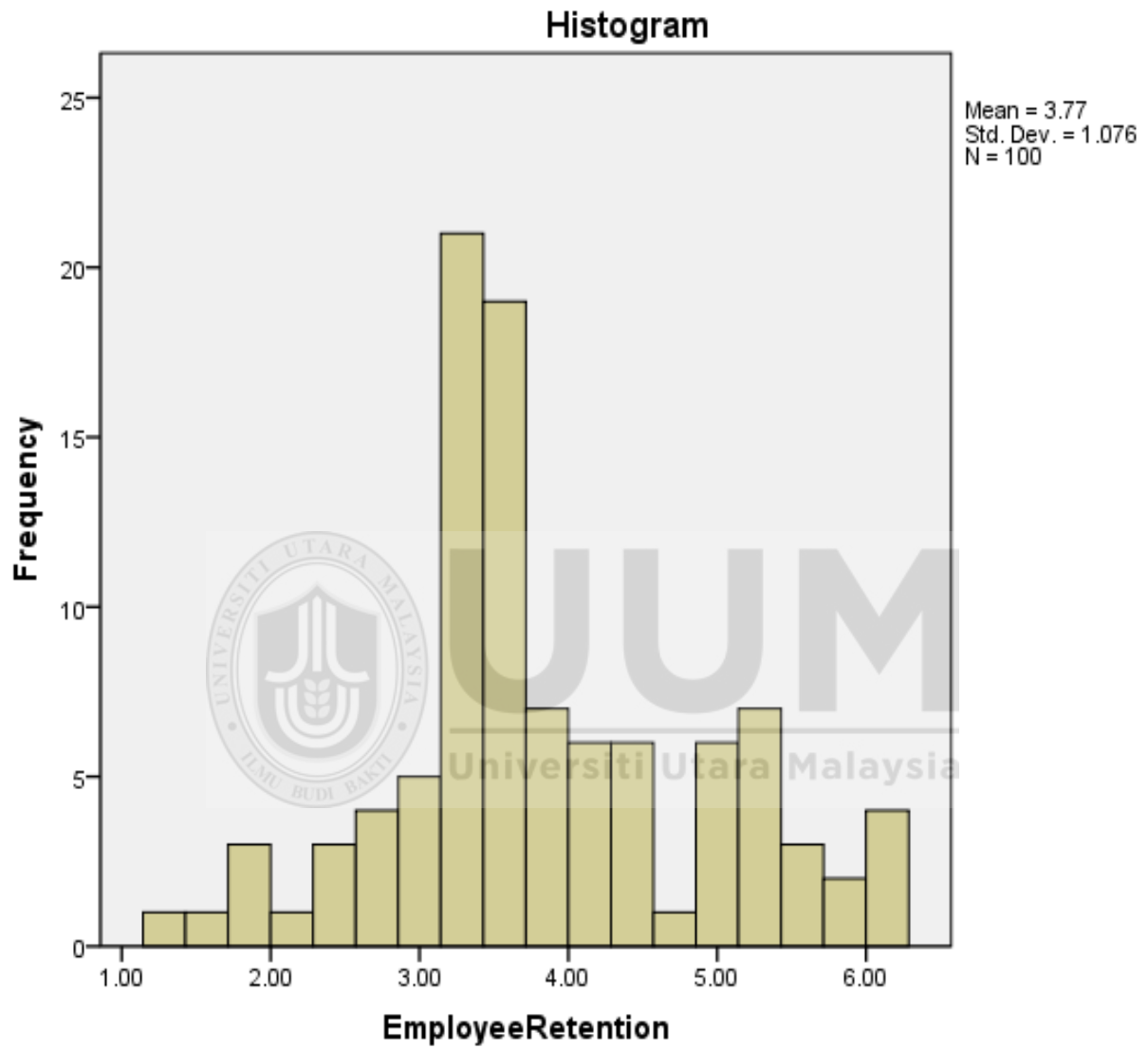
College of Business Management

University Utara Malaysia

BOXPLOT



HISTOGRAM



Descriptive

			Statistic	Std. Error
Employee Retention	Mean		3.7714	.10758
	95% Confidence Interval for Mean	Lower Bound	3.5580	
		Upper Bound	3.9849	
	5% Trimmed Mean		3.7698	
	Median		3.5714	
	Variance		1.157	
	Std. Deviation		1.07577	
	Minimum		1.29	
	Maximum		6.00	
	Range		4.71	
	Interquartile Range		1.29	
	Skewness		.281	.241
	Kurtosis		-.219	.478

Normal Q-Q Plot of EmployeeRetention

